

**CITY OF GETTYSBURG**  
**AUDITED FINANCIAL STATEMENTS**  
**TWO YEARS ENDED DECEMBER 31, 2012**

# CITY OF GETTYSBURG

## CITY OFFICIALS

DECEMBER 31, 2012

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Mayor:

William Wuttke

Governing Board:

Fran Van Bockel

Peggy Lehman

Pat Everson

Dawn Nagel

Josh Bausch

Finance Officer:

Sharleen Eliason

Attorney:

Michael Larson

# CITY OF GETTYSBURG

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# CITY OF GETTYSBURG

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# KOHLMAN, BIRSCHBACH & ANDERSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

ROY R FAUTH, CPA  
DAVID S ANDERSON, CPA  
WILLIAM J BACHMEIER, CPA  
ROSEMARY MUELLER, CPA

117 E. 3RD STREET • PO Box 127  
MILLER, SOUTH DAKOTA 57362  
605-853-2744 • 605-853-2745 (FAX)

## WITH OFFICES IN

MOBRIDGE, SOUTH DAKOTA  
LEMMON, SOUTH DAKOTA

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council  
City of Gettysburg  
Gettysburg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the City of Gettysburg, South Dakota, as of December 31, 2012, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2012-01, #2012-02, and #2012-03 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman, Bierschbach & Anderson, LLP*

August 20, 2013

**CITY OF GETTYSBURG**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2012**

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PRIOR AUDIT FINDINGS:

Finding #2010-01

The City paid 3 checks that were not first approved in the minutes. The checks were approved in the minutes. However, this was after the checks had cleared the bank. Also, two of these invoices were not signed off on by the contractor. This finding has been resolved.

Finding #2010-02

A material weakness was reported for a lack of segregation of duties for revenues and equity, which could result in errors not being found in a timely manner. This condition is restated as current audit finding #2012-01.

Finding #2010-03

The City does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis, being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This comment is restated as current audit finding #2012-02.

Finding #2010-04

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment is restated as current audit finding #2012-03.

Finding #2010-05

The General Fund spent more than what was budgeted in 2010 by \$33,991 for Highways and Streets and \$251,757 for operating transfers out. Also in 2009, the City did not prepare a budget for the Second Penny Sales Tax Fund. This finding has been resolved.

**CITY OF GETTYSBURG**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**DECEMBER 31, 2012**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2012-01

Criteria

Internal control can help a City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues and equity, which could result in errors not being found in a timely manner. It is not known how long this comment has been made.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal control. The City of Gettysburg has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues and equity.

Recommendation

The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "We feel that this is a small town and would not be feasible to hire another person besides the Finance Officer and Deputy Finance Officer for segregation of duties. The City is aware of this problem and we do try and protect the City by having the Finance Officer open all checks and then gives them to the Deputy Finance Officer to record. For expenditures, the Deputy Finance Officer opens all bills and then gives them to the Finance Officer to issue checks. The Council reviews all expenditures and does sign the documentation for each expenditure and the Council does receive a cash balance each month with quarterly updates on revenues and expenditures."

Finding #2012-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis, being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Effect



**CITY OF GETTYSBURG**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**DECEMBER 31, 2012**  
**(Continued)**

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This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "The Council tries to be involved at every level and does oversee the financial reports."

Finding #2012-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "The Council tries to be involved at every level and does oversee the financial reports."

Closing Conference

The contents of this report were discussed with William Wuttke and Sharleen Eliason on June 20, 2013.

# KOHLMAN, BIRSCHBACH & ANDERSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

ROY R FAUTH, CPA  
DAVID S ANDERSON, CPA  
WILLIAM J BACHMEIER, CPA  
ROSEMARY MUELLER, CPA

117 E. 3RD STREET • PO BOX 127  
MILLER, SOUTH DAKOTA 57362  
605-853-2744 • 605-853-2745 (FAX)

## WITH OFFICES IN

MOBRIDGE, SOUTH DAKOTA  
LEMMON, SOUTH DAKOTA

## INDEPENDENT AUDITORS' REPORT

City Council  
City of Gettysburg  
Gettysburg, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the City of Gettysburg, South Dakota, as of December 31, 2012, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities and each major fund of the City of Gettysburg, South Dakota, as of December 31, 2012, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### **Basis of Accounting**

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's financial statements. The Budgetary Comparison Schedules and Schedule of Changes in Long-Term Debt as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*Kohleman, Bierschbach & Anderson, L L P*

August 20, 2013

**CITY OF GETTYSBURG**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2012**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,244,227	\$ 355,803	\$ 1,600,030
Investments	1,014,327	-	1,014,327
Restricted Assets:			
Cash and cash equivalents	13,148	22,985	36,133
TOTAL ASSETS	<u>\$ 2,271,702</u>	<u>\$ 378,788</u>	<u>\$ 2,650,490</u>
NET POSITION:			
Restricted for:			
Debt service	\$ -	\$ 8,930	\$ 8,930
Swimming Pool Trust	3,148	-	3,148
Gross Receipt Tax	3,825	-	3,825
Ambulance	10,000	-	10,000
Customer deposits	-	14,055	14,055
Unrestricted	<u>2,254,729</u>	<u>355,803</u>	<u>2,610,532</u>
TOTAL NET POSITION	<u>\$ 2,271,702</u>	<u>\$ 378,788</u>	<u>\$ 2,650,490</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 122,654	\$ 22,671	\$ -	\$ -	\$ (99,983)	\$ -	\$ (99,983)
Public safety	155,406	-	-	16,500	(138,906)	-	(138,906)
Public works	1,021,918	83,570	70,915	60,729	(806,704)	-	(806,704)
Health and welfare	35,071	51,831	1,000	10,000	27,760	-	27,760
Culture and recreation	169,523	10,789	-	11,917	(146,817)	-	(146,817)
Conservation and development	53,623	-	-	-	(53,623)	-	(53,623)
Miscellaneous expenditure	18	-	-	-	(18)	-	(18)
*Interest on long-term debt	10,446	-	-	-	(10,446)	-	(10,446)
Total Governmental Activities	1,568,659	168,861	71,915	99,146	(1,228,737)	-	(1,228,737)
Business-Type Activities:							
Water	219,938	326,297	-	-	-	106,359	106,359
Sewer	337,715	132,538	-	-	-	(205,177)	(205,177)
Total Business-Type Activities	557,653	458,835	-	-	-	(98,818)	(98,818)
Total Primary Government	\$ 2,126,312	\$ 627,696	\$ 71,915	\$ 99,146	(1,228,737)	(98,818)	(1,327,555)
General Revenues:							
Taxes:							
Property taxes					494,702	-	494,702
Sales taxes					461,854	-	461,854
State shared revenues					14,029	-	14,029
Unrestricted investment earnings					6,498	285	6,783
Miscellaneous revenue					61,127	-	61,127
Transfers					(219,000)	219,000	-
Total General Revenues and Transfers					819,210	219,285	1,038,495
Change in Net Position					(409,527)	120,467	(289,060)
Net Position - Beginning					2,681,229	258,321	2,939,550
Net Position - Ending					\$ 2,271,702	\$ 378,788	\$ 2,650,490

\* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 137,505	\$ 29,520	\$ -	\$ -	\$ (107,985)	\$ -	\$ (107,985)
Public safety	164,894	224	43	17,328	(147,299)	-	(147,299)
Public works	965,828	72,854	56,147	399,519	(437,308)	-	(437,308)
Health and welfare	80,710	61,520	-	41,687	22,497	-	22,497
Culture and recreation	108,187	8,952	1,250	-	(97,985)	-	(97,985)
Conservation and development	55,451	-	-	-	(55,451)	-	(55,451)
Miscellaneous expenditure	83	-	-	-	(83)	-	(83)
*Interest on long-term debt	11,468	-	-	-	(11,468)	-	(11,468)
Total Governmental Activities	1,524,126	173,070	57,440	458,534	(835,082)	-	(835,082)
Business-Type Activities:							
Water	216,078	303,098	-	-	-	87,020	87,020
Sewer	103,862	130,800	-	-	-	26,938	26,938
Total Business-Type Activities	319,940	433,898	-	-	-	113,958	113,958
Total Primary Government	\$ 1,844,066	\$ 606,968	\$ 57,440	\$ 458,534	(835,082)	113,958	(721,124)
General Revenues:							
Taxes:							
Property taxes					473,200	-	473,200
Sales taxes					476,323	-	476,323
State shared revenues					12,740	-	12,740
Unrestricted investment earnings					9,071	577	9,648
Debt issued					-	59,382	59,382
Miscellaneous revenue					25,585	-	25,585
Transfers					(24,000)	24,000	-
Total General Revenues and Transfers					972,919	83,959	1,056,878
Change in Net Position					137,837	197,917	335,754
Net Position - Beginning					2,543,392	60,404	2,603,796
Net Position - Ending					\$ 2,681,229	\$ 258,321	\$ 2,939,550

\* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,240,402	\$ 3,825	\$ 1,244,227
Investments	1,014,327	-	1,014,327
Restricted cash and cash equivalents	<u>13,148</u>	<u>-</u>	<u>13,148</u>
TOTAL ASSETS	<u><u>\$ 2,267,877</u></u>	<u><u>\$ 3,825</u></u>	<u><u>\$ 2,271,702</u></u>
FUND BALANCES:			
Restricted	\$ 13,148	\$ 3,825	\$ 16,973
Assigned	260,691	-	260,691
Unassigned	<u>1,994,038</u>	<u>-</u>	<u>1,994,038</u>
TOTAL FUND BALANCES	<u><u>\$ 2,267,877</u></u>	<u><u>\$ 3,825</u></u>	<u><u>\$ 2,271,702</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 491,520	\$ -	\$ 491,520
General sales and use taxes	436,625	25,229	461,854
Amusement taxes	252	-	252
Tax deed revenue	1,717	-	1,717
Penalties and interest on delinquent taxes	1,213	-	1,213
Licenses and Permits	7,285	-	7,285
Intergovernmental Revenue:			
Federal grants	37,807	-	37,807
State grants	23,622	-	23,622
State shared revenue:			
Bank franchise tax	5,031	-	5,031
Liquor tax reversion	8,998	-	8,998
Motor vehicle licenses (5%)	18,398	-	18,398
Local government highway and bridge fund	50,101	-	50,101
County shared revenue:			
County road tax (25%)	2,416	-	2,416
Charges for Goods and Services:			
Highways and streets	400	-	400
Sanitation	83,170	-	83,170
Health	358	-	358
Culture and recreation	10,789	-	10,789
Ambulance	51,473	-	51,473
Miscellaneous Revenue:			
Investment earnings	6,498	-	6,498
Rentals	15,386	-	15,386
Contributions and donations from private sources	38,717	-	38,717
Other	16,940	-	16,940
<b>TOTAL REVENUE</b>	<b>1,308,716</b>	<b>25,229</b>	<b>1,333,945</b>
EXPENDITURES:			
General Government:			
Executive	23,029	-	23,029
Elections	30	-	30
Financial administration	99,595	-	99,595
Public Safety:			
Police	121,270	-	121,270
Fire	13,561	-	13,561
Public Works:			
Highways and streets	793,509	-	793,509



	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
Sanitation	81,299	-	81,299
Airport	77,402	-	77,402
Health and Welfare:			
Health	157	-	157
Ambulance	34,914	-	34,914
Culture and Recreation:			
Recreation	76,026	-	76,026
Parks	42,401	-	42,401
Auditorium	51,096	-	51,096
Conservation and Development:			
Economic development and assistance (industrial development)	28,000	25,623	53,623
Debt Service	100,729	-	100,729
Miscellaneous:			
Other expenditures	18	-	18
TOTAL EXPENDITURES	<u>1,543,036</u>	<u>25,623</u>	<u>1,568,659</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(234,320)</u>	<u>(394)</u>	<u>(234,714)</u>
OTHER FINANCING SOURCES (USES):			
Sale of municipal property	44,187	-	44,187
Transfers out	<u>(219,000)</u>	<u>-</u>	<u>(219,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(174,813)</u>	<u>-</u>	<u>(174,813)</u>
NET CHANGE IN FUND BALANCES	(409,133)	(394)	(409,527)
FUND BALANCE - BEGINNING	<u>2,677,010</u>	<u>4,219</u>	<u>2,681,229</u>
FUND BALANCE - ENDING	<u>\$ 2,267,877</u>	<u>\$ 3,825</u>	<u>\$ 2,271,702</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 472,156	\$ -	\$ 472,156
General sales and use taxes	449,862	26,461	476,323
Amusement taxes	252	-	252
Penalties and interest on delinquent taxes	792	-	792
Licenses and Permits	8,320	-	8,320
Intergovernmental Revenue:			
Federal grants	401,047	-	401,047
State shared revenue:			
Bank franchise tax	4,284	-	4,284
Liquor tax reversion	8,456	-	8,456
Motor vehicle licenses (5%)	14,316	-	14,316
Local government highway and bridge fund	39,415	-	39,415
County shared revenue:			
County road tax (25%)	2,416	-	2,416
Charges for Goods and Services:			
Highways and streets	300	-	300
Sanitation	72,554	-	72,554
Health	428	-	428
Culture and recreation	8,952	-	8,952
Ambulance	61,092	-	61,092
Fines and Forfeits:			
Court fines and costs	224	-	224
Miscellaneous Revenue:			
Investment earnings	9,071	-	9,071
Rentals	21,200	-	21,200
Contributions and donations from private sources	58,780	-	58,780
Other	25,585	-	25,585
<b>TOTAL REVENUE</b>	<b>1,659,502</b>	<b>26,461</b>	<b>1,685,963</b>
EXPENDITURES:			
General Government:			
Executive	22,442	-	22,442
Elections	42	-	42
Financial administration	115,021	-	115,021
Public Safety:			
Police	124,881	-	124,881
Fire	20,668	-	20,668
Public Works:			
Highways and streets	423,091	-	423,091

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
Sanitation	67,152	-	67,152
Airport	443,473	-	443,473
Health and Welfare:			
Health	1,769	-	1,769
Ambulance	78,941	-	78,941
Culture and Recreation:			
Recreation	48,150	-	48,150
Parks	54,413	-	54,413
Auditorium	9,089	-	9,089
Conservation and Development:			
Economic development and assistance (industrial development)	28,000	27,451	55,451
Debt Service	62,925	-	62,925
Miscellaneous:			
Other expenditures	83	-	83
TOTAL EXPENDITURES	<u>1,500,140</u>	<u>27,451</u>	<u>1,527,591</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>159,362</u>	<u>(990)</u>	<u>158,372</u>
OTHER FINANCING SOURCES (USES):			
Compensation for loss or damage to capital assets	3,465	-	3,465
Transfers out	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,535)</u>	<u>-</u>	<u>(20,535)</u>
NET CHANGE IN FUND BALANCES	138,827	(990)	137,837
FUND BALANCE - BEGINNING	<u>2,538,183</u>	<u>5,209</u>	<u>2,543,392</u>
FUND BALANCE - ENDING	<u>\$ 2,677,010</u>	<u>\$ 4,219</u>	<u>\$ 2,681,229</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2012**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 240,002	\$ 115,801	\$ 355,803
Total Current Assets	240,002	115,801	355,803
Noncurrent Assets:			
Restricted cash and cash equivalents	14,055	8,930	22,985
Total Noncurrent Assets	14,055	8,930	22,985
TOTAL ASSETS	<u>\$ 254,057</u>	<u>\$ 124,731</u>	<u>\$ 378,788</u>
NET POSITION:			
Restricted for:			
Revenue bond debt service	\$ -	\$ 8,930	\$ 8,930
Customer deposits	14,055	-	14,055
Unrestricted	240,002	115,801	355,803
TOTAL NET POSITION	<u>\$ 254,057</u>	<u>\$ 124,731</u>	<u>\$ 378,788</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 326,297	\$ 132,538	\$ 458,835
TOTAL OPERATING REVENUE	326,297	132,538	458,835
OPERATING EXPENSES:			
Personal services	44,439	37,460	81,899
Other current expense	19,671	15,576	35,247
Materials (cost of goods sold)	155,828	-	155,828
Capital assets	-	98,330	98,330
TOTAL OPERATING EXPENSES	219,938	151,366	371,304
OPERATING INCOME (LOSS)	106,359	(18,828)	87,531
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	285	-	285
Debt service (principal)	-	(168,273)	(168,273)
Interest expense	-	(18,076)	(18,076)
TOTAL NONOPERATING REVENUE (EXPENSE)	285	(186,349)	(186,064)
INCOME (LOSS) BEFORE TRANSFERS	106,644	(205,177)	(98,533)
TRANSFERS IN	-	219,000	219,000
CHANGE IN NET POSITION	106,644	13,823	120,467
NET POSITION - BEGINNING	147,413	110,908	258,321
NET POSITION - ENDING	\$ 254,057	\$ 124,731	\$ 378,788

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 303,098	\$ 130,800	\$ 433,898
TOTAL OPERATING REVENUE	303,098	130,800	433,898
OPERATING EXPENSES:			
Personal services	42,017	28,696	70,713
Other current expense	20,724	16,231	36,955
Materials (cost of goods sold)	153,337	-	153,337
Capital assets	-	24,556	24,556
TOTAL OPERATING EXPENSES	216,078	69,483	285,561
OPERATING INCOME	87,020	61,317	148,337
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	577	-	577
Debt service (principal)	-	(11,817)	(11,817)
Interest expense	-	(22,562)	(22,562)
Long-term debt issued	-	59,382	59,382
TOTAL NONOPERATING REVENUE (EXPENSE)	577	25,003	25,580
INCOME BEFORE TRANSFERS	87,597	86,320	173,917
TRANSFERS IN	-	24,000	24,000
CHANGE IN NET POSITION	87,597	110,320	197,917
NET POSITION - BEGINNING	59,816	588	60,404
NET POSITION - ENDING	\$ 147,413	\$ 110,908	\$ 258,321

The notes to the financial statements are an integral part of this statement.

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of the City of Gettysburg consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 1 - (Continued)

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

**Governmental Funds:**

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Gross Receipts Tax Fund - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

**Proprietary Funds:**

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial



**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 1 - (Continued)

statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are:

1. Recording long-term investments in marketable securities and bank savings certificates (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 1 - (Continued)

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 1 - (Continued)

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that do not meet the definition of "restricted".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

h. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

i. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 1 - (Continued)

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Liquor, Lodging and Dining Gross Receipt Tax Fund	Sales Tax

A schedule of fund balances is provided as follows:

City of Gettysburg  
Disclosure of Fund Balances Reported on Balance Sheet  
Governmental Funds  
December 31, 2012

	<u>General Fund</u>	<u>Gross Receipt Tax Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Restricted for:			
Swimming Pool Trust	\$ 3,148	\$ --	\$ 3,148
Gross Receipt Tax	--	3,825	3,825
Ambulance Purchase	10,000	--	10,000
Assigned to:			
Applied to Next Year's Budget	97,605	--	97,605
Capital Outlay Accumulations	161,950	--	161,950
Unemployment	1,136	--	1,136
Unassigned	<u>1,994,038</u>	<u>--</u>	<u>1,994,038</u>
Total Fund Balances	<u>\$2,267,877</u>	<u>\$3,825</u>	<u>\$2,271,702</u>

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of all the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**Investments** - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 2 - (Continued)

repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2012, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Repurchase Agreement with Bank of the West Single Family	AAA	\$646,000	\$646,000
External Investment Pools: SDFIT	Unrated	<u>227,396</u>	<u>227,396</u>
Total Investments		<u>\$873,396</u>	<u>\$873,396</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from cities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Single Family (64%), SDFIT (22%), and certificates of deposit (14%).

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount :</u>	<u>Purpose:</u>
\$ 3,148	For swimming pool trust in the General Fund
\$10,000	For new ambulance purchase in the General Fund
\$ 8,930	For debt service by covenants in the Sewer Fund
\$14,055	For customer deposits in the Water Fund

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**NOTE 4 - PROPERTY TAXES**

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**NOTE 5 - OPERATING LEASES**

The City has an operating lease for a wheel loader with an annual payment of \$34,920 which is paid out of the General Fund. This lease is renewed on a year-to-year basis. The lease originated February 2011 and was renewed in February 2012.

The City has an operating lease for a backhoe loader with an annual payment of \$15,479 which is paid out of the General Fund. The lease is for three years with an option to purchase at the end of the third year, but the City has the option to terminate the lease every year. The lease originated April 2012.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>General Fund</u>
2013	\$15,479
2014	<u>15,479</u>
Total	<u>\$30,958</u>

**NOTE 6 - RESTRICTED NET POSITION**

Restricted Net Position for the year ended December 31, 2012, was as follows:

**Major Purposes**

Water Fund Purposes	\$14,055
Sewer Fund Purposes	8,930
General Fund-Swimming Pool Trust Purposes	3,148
General Fund-Ambulance Purposes	10,000
Gross Receipt Tax Fund Purposes	<u>3,825</u>
<b>Total Restricted Net Position</b>	<b><u>\$39,958</u></b>

These balances are restricted due to federal grant, donor, and statutory requirements.

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011, were as follows:

	<u>Transfers To:</u>
	Sewer
<u>Transfer From:</u>	<u>Fund</u>
Major Funds:	
General Fund	\$24,000

Interfund transfers for the year ended December 31, 2012, were as follows:

	<u>Transfers To:</u>
	Sewer
<u>Transfer From:</u>	<u>Fund</u>
Major Funds:	
General Fund	\$219,000

The City transferred money to the Sewer Fund from the General Fund to conduct the indispensable functions of the City.

NOTE 8 - RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010, were \$15,997, \$15,672, and \$15,224, respectively, equal to the required contributions each year.

NOTE 9 - RELATED PARTY TRANSACTIONS

In 2012 the City hired Bausch Electric, which is owned by one of its Council members, to provide electric services to the City. The City paid Bausch Electric a total of \$3,289 in 2012 for their services.

**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 10 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2012, the City was not involved in any litigation.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 20, 2013, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2012, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile liability, legal liability, property coverage and boiler and machinery coverage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%



**CITY OF GETTYSBURG**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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NOTE 12 - (Continued)

As of December 31, 2012, the City has vested balance in the cumulative reserve fund of \$25,529. This amount does not appear in the financial statements because this is a modified cash basis entity.

The City carries a \$0 deductible for the legal liability, automobile liability, property coverage, and boiler and machinery coverage.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

The City purchases liability insurance for airport liability from a commercial insurance carrier.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The City has assigned fund balance in the General Fund in the amount of \$1,136 for the payment of future unemployment benefits.

During the two years ended December 31, 2012, no claims for unemployment benefits were paid. At December 31, 2012, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

## **SUPPLEMENTARY INFORMATION**

**CITY OF GETTYSBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes:				
General property taxes	\$ 496,568	\$ 496,568	\$ 491,520	\$ (5,048)
General sales and use taxes	430,000	430,000	436,625	6,625
Amusement taxes	400	400	252	(148)
Tax deed revenue	2,000	2,000	1,717	(283)
Penalties and interest on delinquent taxes	500	500	1,213	713
Licenses and Permits	2,500	2,500	7,285	4,785
Intergovernmental Revenue:				
Federal grants	-	59,850	37,807	(22,043)
State grants	-	1,890	23,622	21,732
State shared revenue:				
Bank franchise tax	6,000	6,000	5,031	(969)
Liquor tax reversion	8,000	8,000	8,998	998
Motor vehicle licenses (5%)	10,000	10,000	18,398	8,398
Local government highway and bridge fund	32,000	32,000	50,101	18,101
County shared revenue:				
County road tax (25%)	2,500	2,500	2,416	(84)
Charges for Goods and Services:				
Highways and streets	100	100	400	300
Sanitation	90,000	90,000	83,170	(6,830)
Health	400	400	358	(42)
Culture and recreation	9,000	9,000	10,789	1,789
Ambulance	70,000	70,000	51,473	(18,527)
Fines and Forfeits:				
Court fines and costs	100	100	-	(100)
Miscellaneous Revenue:				
Investment earnings	15,000	15,000	6,498	(8,502)
Rentals	14,001	14,001	15,386	1,385
Contributions and donations from private sources	1,000	1,000	38,717	37,717
Other	9,500	9,500	16,940	7,440
TOTAL REVENUE	1,199,569	1,261,309	1,308,716	47,407
EXPENDITURES:				
General Government:				
Contingency	35,000	35,000		
Amount transferred		-		35,000
Executive	24,600	24,600	23,029	1,571
Elections	2,000	2,000	30	1,970
Financial administration	111,000	123,000	99,595	23,405

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Police	155,500	155,500	121,270	34,230
Fire	18,500	18,500	13,561	4,939
Public Works:				
Highways and streets	490,750	991,250	793,509	197,741
Sanitation	85,000	85,000	81,299	3,701
Airport	21,000	94,984	77,402	17,582
Health and Welfare:				
Health	5,000	5,000	157	4,843
Ambulance	71,700	71,700	34,914	36,786
Culture and Recreation:				
Recreation	64,950	76,950	76,026	924
Parks	78,750	78,750	42,401	36,349
Auditorium	32,000	107,000	51,096	55,904
Conservation and Development:				
Economic development and assistance (industrial development)	28,000	28,000	28,000	-
Debt Service	64,000	102,000	100,729	1,271
Miscellaneous:				
Other expenditures	250	250	18	232
TOTAL EXPENDITURES	<u>1,288,000</u>	<u>1,999,484</u>	<u>1,543,036</u>	<u>456,448</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(88,431)</u>	<u>(738,175)</u>	<u>(234,320)</u>	<u>503,855</u>
OTHER FINANCING SOURCES (USES):				
Sale of municipal property	-	-	44,187	44,187
Transfers out	-	(219,000)	(219,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(219,000)</u>	<u>(174,813)</u>	<u>44,187</u>
NET CHANGE IN FUND BALANCES	(88,431)	(957,175)	(409,133)	548,042
FUND BALANCE - BEGINNING	<u>2,677,010</u>	<u>2,677,010</u>	<u>2,677,010</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$2,588,579</u>	<u>\$1,719,835</u>	<u>\$2,267,877</u>	<u>\$ 548,042</u>

**CITY OF GETTYSBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GROSS RECEIPT TAX FUND**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Taxes:				
General sales and use taxes	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 25,229</u>	<u>\$ (6,771)</u>
TOTAL REVENUE	<u>32,000</u>	<u>32,000</u>	<u>25,229</u>	<u>(6,771)</u>
EXPENDITURES:				
Conservation and Development:				
Economic development and				
assistance (industrial development)	<u>32,000</u>	<u>32,000</u>	<u>25,623</u>	<u>6,377</u>
TOTAL EXPENDITURES	<u>32,000</u>	<u>32,000</u>	<u>25,623</u>	<u>6,377</u>
NET CHANGE IN FUND BALANCES	-	-	(394)	(394)
FUND BALANCE - BEGINNING	<u>4,219</u>	<u>4,219</u>	<u>4,219</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 4,219</u></u>	<u><u>\$ 4,219</u></u>	<u><u>\$ 3,825</u></u>	<u><u>\$ (394)</u></u>

**CITY OF GETTYSBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes:				
General property taxes	\$ 476,703	\$ 476,703	\$ 472,156	\$ (4,547)
General sales and use taxes	390,000	390,000	449,862	59,862
Amusement taxes	400	400	252	(148)
Tax deed revenue	2,000	2,000	-	(2,000)
Penalties and interest on delinquent taxes	500	500	792	292
Licenses and Permits	500	500	8,320	7,820
Intergovernmental Revenue:				
Federal grants	-	399,266	401,047	1,781
State grants	-	14,981	-	(14,981)
State shared revenue:				
Bank franchise tax	7,000	7,000	4,284	(2,716)
Liquor tax reversion	7,000	7,000	8,456	1,456
Motor vehicle licenses (5%)	10,000	10,000	14,316	4,316
Local government highway and bridge fund	32,000	32,000	39,415	7,415
County shared revenue:				
County road tax (25%)	2,500	2,500	2,416	(84)
Charges for Goods and Services:				
Highways and streets	-	-	300	300
Sanitation	62,200	62,200	72,554	10,354
Health	350	350	428	78
Culture and recreation	9,000	9,000	8,952	(48)
Ambulance	70,000	70,000	61,092	(8,908)
Fines and Forfeits:				
Court fines and costs	100	100	224	124
Miscellaneous Revenue:				
Investment earnings	25,000	25,000	9,071	(15,929)
Rentals	12,151	12,151	21,200	9,049
Contributions and donations from private sources	15,000	55,400	58,780	3,380
Other	22,000	22,000	25,585	3,585
TOTAL REVENUE	1,144,404	1,599,051	1,659,502	60,451
EXPENDITURES:				
General Government:				
Contingency	25,000	25,000		
Amount transferred		(3,800)		21,200
Executive	26,500	26,500	22,442	4,058
Elections	500	500	42	458
Financial administration	108,350	119,550	115,021	4,529

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Police	148,000	148,000	124,881	23,119
Fire	18,500	23,500	20,668	2,832
Public Works:				
Highways and streets	463,250	523,250	423,091	100,159
Sanitation	70,500	70,500	67,152	3,348
Airport	25,850	448,551	443,473	5,078
Health and Welfare:				
Health	6,000	6,000	1,769	4,231
Ambulance	80,000	120,400	78,941	41,459
Culture and Recreation:				
Recreation	50,600	50,600	48,150	2,450
Parks	53,700	59,200	54,413	4,787
Auditorium	107,000	107,000	9,089	97,911
Conservation and Development:				
Economic development and assistance (industrial development)	28,000	28,000	28,000	-
Debt Service	26,000	64,000	62,925	1,075
Miscellaneous:				
Other expenditures	250	250	83	167
TOTAL EXPENDITURES	1,238,000	1,817,001	1,500,140	316,861
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,596)	(217,950)	159,362	377,312
OTHER FINANCING SOURCES (USES):				
Compensation for loss or damage to capital assets	-	-	3,465	3,465
Transfers out	-	(24,000)	(24,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(24,000)	(20,535)	3,465
NET CHANGE IN FUND BALANCES	(93,596)	(241,950)	138,827	380,777
FUND BALANCE - BEGINNING	2,538,183	2,538,183	2,538,183	-
FUND BALANCE - ENDING	<u>\$2,444,587</u>	<u>\$2,296,233</u>	<u>\$2,677,010</u>	<u>\$ 380,777</u>

**CITY OF GETTYSBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GROSS RECEIPT TAX FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Taxes:				
General sales and use taxes	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 26,461</u>	<u>\$ 2,461</u>
TOTAL REVENUE	<u>24,000</u>	<u>24,000</u>	<u>26,461</u>	<u>2,461</u>
EXPENDITURES:				
Conservation and Development:				
Economic development and				
assistance (industrial development)	<u>24,000</u>	<u>27,591</u>	<u>27,451</u>	<u>140</u>
TOTAL EXPENDITURES	<u>24,000</u>	<u>27,591</u>	<u>27,451</u>	<u>140</u>
NET CHANGE IN FUND BALANCES	-	(3,591)	(990)	2,601
FUND BALANCE - BEGINNING	<u>5,209</u>	<u>5,209</u>	<u>5,209</u>	-
FUND BALANCE - ENDING	<u>\$ 5,209</u>	<u>\$ 1,618</u>	<u>\$ 4,219</u>	<u>\$ 2,601</u>



**CITY OF GETTYSBURG**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET.**  
**DECEMBER 31, 2012**

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Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The City did not encumber any amounts at either December 31, 2011, or December 31, 2012.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Note 2 - Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**CITY OF GETTYSBURG**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**TWO YEARS ENDED DECEMBER 31, 2012**

Indebtedness	Long-Term Debt 01/01/2011	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/2012
GOVERNMENTAL LONG-TERM DEBT:				
Other long-term liabilities	\$ 225,090	\$ -	\$ (141,740)	\$ 83,350
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	<u>626,436</u>	<u>59,382</u>	<u>(180,090)</u>	<u>505,728</u>
TOTAL	<u>\$ 851,526</u>	<u>\$ 59,382</u>	<u>\$ (321,830)</u>	<u>\$ 589,078</u>